

ORDER NO. 3747

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;  
Mark Acton, Vice Chairman;  
Tony Hammond; and  
Nanci E. Langley

Competitive Product Prices  
Priority Mail Contract 237 (MC2016-192)  
Negotiated Service Agreement

Docket No. CP2016-275

ORDER APPROVING AMENDMENT TO A  
PRIORITY MAIL NEGOTIATED SERVICE AGREEMENT

(Issued January 11, 2017)

I. INTRODUCTION

The Postal Service seeks to amend a Priority Mail negotiated service agreement.<sup>1</sup> For the reasons discussed below, the Commission approves the Amendment.

In Order No. 3513, the Commission approved the Priority Mail Contract 237 negotiated service agreement (Existing Agreement).<sup>2</sup> On January 10, 2017, the Postal

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<sup>1</sup> Notice of United States Postal Service of Amendment to Priority Mail Contract 237, with Portions Filed Under Seal, January 10, 2017 (Notice). The amendment is an attachment to the Notice (Amendment).

<sup>2</sup> See Docket Nos. MC2016-192 and CP2016-275, Order Adding Priority Mail Contract 237 to the Competitive Product List, September 14, 2016 (Order No. 3513).

Service filed notice that it has agreed to the Amendment to the Existing Agreement. The Postal Service intends for the Amendment to become effective two business days after the date that the Commission completes its review of the Notice. Notice at 1.

## II. COMMISSION ANALYSIS

The Commission has reviewed the Notice and the accompanying materials filed under seal.

*Cost considerations.* The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Existing Agreement provides an implementation period, during which the Postal Service will apply a specified tier of pricing.<sup>3</sup> The Amendment extends the implementation period from its effective date until the end of the second full contract quarter. Notice, Attachment A at 1.

The Amendment does not materially affect the underlying financial analysis of the Existing Agreement. Thus, the Commission finds that the Existing Agreement, as amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

*Other considerations.* The Postal Service states that the Amendment shall become effective two business days following the day that the Commission completes

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<sup>3</sup> Docket Nos. MC2016-192 and CP2016-275, Request of the United States Postal Service to Add Priority Mail Contract 237 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, September 2, 2016, Attachment B at 2.

its review. Notice at 1. The Existing Agreement, as amended, is set to expire three years after the initial effective date unless, among other things, either party terminates the contract with 30 days' written notice to the other party or it is renewed by mutual agreement.<sup>4</sup>

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as amended.

### III. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission approves the Priority Mail Contract 237 negotiated service agreement, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.

By the Commission.

Stacy L. Ruble  
Secretary

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<sup>4</sup> Docket Nos. MC2016-192 and CP2016-275, Order No. 3513 at 6. Should both parties agree to renew the agreement, any such renewal is required to follow the requirements of 39 U.S.C. § 3633 and the Commission's implementing regulations of 39 C.F.R. part 3015.